Market Commentary Blog

Cash Flow *and Carey*

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Passive vs. Active Fund Flows

Estimated Net Flows to Mutual Funds and ETFs in $Billions

(12-month flows through 6/30/26)

Category	Active	Passive
U.S. Equity	(427)	437
Sector Equity	17	122
International Equity	(78)	223
Allocation	(58)	1
Taxable Bond	339	434
Municipal Bond	77	29
Alternative	29	0
Commodities	0	28
Nontraditional Equity	69	0
Miscellaneous	31	(25)
All Long Term	(2)	1,249

Source: Morningstar Direct Asset Flows. Includes liquidated and merged funds.

View from the Observation Deck

Investors directing capital into U.S. mutual funds and exchange-traded funds (ETFs) favored passive investing over active management during the 12-month period ended June 30, 2026.

Active mutual funds and ETFs reported estimated net outflows of $2 billion compared to net inflows of $1,249 billion for passive funds over the trailing 12 months (TTM) ended June 30, 2026.

Net inflows across all categories of passively managed equities (including Allocation and Nontraditional Equity) totaled $783 billion over the period, compared to inflows of $463 billion into passive fixed income funds. On the actively managed side, equity funds saw combined net outflows of $477 billion while fixed income garnered inflows of $416 billion.

Equity mutual funds and ETFs saw significantly lower inflows than their fixed income counterparts over the trailing 12-month period.

Combined, active and passive equities experienced inflows of $306 billion over the trailing 12 months, based on Morningstar data. For comparison, the active and passive Taxable and Municipal Bond categories reported net inflows of $879 billion over the same time frame. The difference in flows between these categories is notable, especially given persistent outperformance in equities compared to their fixed income counterparts. Data from Bloomberg showed that the S&P 500, S&P MidCap 400, and S&P SmallCap 600 Indices produced total returns of 22.3%, 25.9%, and 37.6%, respectively, over the period. For comparison, the Bloomberg Global-Aggregate Bond, Bloomberg U.S. Aggregate, and Bloomberg Municipal Long Bond Indices saw total returns of 0.6%, 3.8%, and 9.7%, respectively.

Foreign and emerging market equities maintained positive performance over the trailing 12 months.

The MSCI Emerging Net Total Return and MSCI Daily Total Return Net World (ex U.S.) Indices posted total returns of 43.5% and 21.0%, respectively, between Q2'25 and Q2'26, according to Bloomberg data.

Takeaway

Passive mutual funds and ETFs saw combined inflows of $1,249 billion compared to net outflows of $2 billion for active funds over the trailing 12 months ended in June 2026. Net inflows into fixed income investments totaled $879 billion compared to net inflows of $306 billion into equity funds over the period. Morningstar notes that investor interest in municipal bonds has been robust, with the category recording record net inflows of nearly $32 billion in the second quarter of 2026. Interest in the taxable bond category has also been strong, with the category adding $72 billion in new assets in June 2026 alone. As noted above, international equity performance remained compelling. That said, net flows into international equity funds have been volatile as investors navigate continued conflict between the U.S. and Iran. Morningstar data showed the international equity category shed nearly $16 billion in May 2026 before adding just $2 billion in June, bringing the second quarter's total inflow to just $11 billion.